



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

April 3, 2007

The Honorable Margaret W. Hassan, Chairman
Public and Municipal Affairs Committee
Legislative Office Building, Room 101
Concord, NH 03301

RE: HB 72 Relative to Payment of Municipal Sewage Assessments

Dear Chairman Hassan:

Thank you for the opportunity to testify on HB 72 relative to payment of municipal sewage assessments. This legislation was requested by the Department of Environmental Services (DES) as a result of a recommendation by the New Hampshire Department of Administrative Services (DAS), Financial and Compliance Audit Program.

The Winnepesaukee River Basin Program (WRBP) is a bureau within the Water Division of the Department of Environmental Services. The WRBP was established legislatively in 1972 under the provisions of (now) RSA 485-A:45 as a regional authority empowered to acquire, plan, construct and operate public sewage disposal facilities for the Winnepesaukee River Basin towns. This operation has directly resulted in the elimination of wastewater discharges to Lake Winnepesaukee, Winnisquam Lake, and other surface waters in the basin, and the high water quality that this area enjoys today. The WRBP service area currently includes portions of 10 communities, including Moultonborough, Center Harbor, Meredith, Laconia, Gilford, Sanbornton, Belmont, Tilton, Northfield and Franklin. Within the service area, the WRBP operates and maintains an extensive system of interceptor sewers and pump stations to collect wastewater, as well as a wastewater treatment facility, located in Franklin, that treats the wastewater to federal standards for discharge to the Merrimack River. The cost of operating and administering the WRBP is borne entirely by the member communities. The management of the WRBP is overseen by the Winnepesaukee River Advisory Board, established by RSA 485-A:52, which includes a member from each community served. The Advisory Board meets at least quarterly to review WRBP operations and budgets, WRBP policies and procedures, and other issues of mutual concern.

In an Audit Report of DES for Fiscal Year 2004, the DAS Financial and Compliance Audit Program included the following finding as Observation No. 21:

"The Department's billing procedures for charging Capital Cost Recovery and Operating and Maintenance Costs to users of the Winnepesaukee River Basin Program (WRBP) are inconsistent with statute. RSA 485-A:50 authorizes the Department to annually assess each municipality served by the WRBP a sum sufficient to recover its proportional share of the costs. The payment terms are specified in RSA 485-A:50 III, which states that both Capital Cost Recovery and Operating and Maintenance costs should be billed quarterly, yet Capital Cost Recovery is billed annually. Additionally, adjustments should be made in the first

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quarter but are not made until the second quarter of the year, due to the untimely availability of adjustment information.

Recommendation: The Department should bill WRBP assessments in compliance with statute. If the Department determines the statutes are not responsive to the Department's needs, the Department should seek amendment to the statutes to ensure compliance is feasible."

Billings for capital cost recovery charges have historically been sent to member communities annually during July (the first quarter of the State's fiscal year) for administrative convenience. These charges are to collect the principal and interest costs for sewer projects and upgrades that benefit member communities. For example, for FY 2007, capital cost recovery charges include the principal and interest costs for the Supervisory Control and Data Acquisition (SCADA) system upgrade (completed in 2001), the addition of the ultraviolet radiation disinfection system (completed in 1997), and sewer projects serving the Bay District (Moultonborough and Center Harbor), Sanbornton and Tilton. Member communities are also provided annually with an updated debt service payment schedule from the current fiscal year through the year when all current capital projects will be fully paid, currently the year 2021.


Adjustments to operation and maintenance costs for underpayment or overpayment of assessments from the previous fiscal year have typically required several months for reconciliation following the end of the state fiscal year, thus making adjustments in the first quarter of the new fiscal year infeasible. As a result, these adjustments have traditionally been made in the second billing to member communities during the month of October (the second quarter of the state's fiscal year), in order to provide time for member communities to make budget adjustments.

HB 72 will reconcile the concerns raised in the DAS Audit Report by fully aligning state statute with historic practices by authorizing the WRBP to: 1) bill for capital recovery costs (amortization charges) on an annual basis, and 2) make adjustments for underpayment or overpayment of assessments from prior fiscal years during October, in the second quarter of the State's fiscal year.

The Winnepesaukee River Advisory Board voted at its quarterly meeting, on January 9, 2007, to support this legislation.

Thank you for considering our testimony. If you have any questions, please contact Dick Flanders, Director, at 934-4032, or Mike Walls, Assistant Commissioner, at 271-8806.

Sincerely,


Thomas S. Burack
Commissioner

cc: Rep. Franklin Tilton